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SUBJECT: US/EC CONSULTATIONS, JUNE 6-7, 1974, PLENARY SESSIONS

1. SUMMARY. IN A SERIES OF PLENARY SESSIONS AND
COMMITTEE MEETINGS, ON JUNE 6 AND 7, THE US/EC
CONSULTATIONS DECIDED ON A SERIES OF FOLLOW-UP TALKS
TO MANAGE CURRENT PROBLEMS AND AVOID FUTURE ONES.

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THEY AGREED ON THE NECESSITY FOR FURTHER SPECIFIC

CONSULTATIONS ON DEVELOPMENT POLICY, AND RELATED AGRICULTURAL AND WORLD FOOD PROBLEMS, ON INDUSTRIAL POLICY, AND ON TACTICS PRIOR TO UPCOMING GATT MEETINGS.

2. THE SETTLEMENT OF ARTICLE XXIV:6 GAVE AN OPTIMISTIC ATMOSPHERE TO THE TALKS, REINFORCED BY THE GENERAL ACCEPTANCE OF THE NEED FOR CLOSE CONSULTATIONS AND COOPERATION. THE BUSINESS DIMINISHED SOMEWHAT, HOWEVER, WHEN THE EC REALIZED THE PROBLEMS THAT MAY ARISE WITH US REGULATIONS ON BOTTLE SIZES FOR WINE AND THE TREASURY INVESTIGATION ON COUNTERVAILING DUTIES FOR DAIRY PRODUCTS.

3. DISCUSSIONS CONCENTRATED ON ENERGY, LDCS, TRADE INVESTMENT AND INDUSTRIAL POLICY, AND RAW MATERIALS. THE CONSULTATIONS CLOSED ON THE STRONG NOTE OF APPRECIATION FROM SOAMES FOR THE SUCCESSFUL EFFORTS BY SECRETARY KISSINGER IN BRINGING PEACE TO THE MIDDLE EAST. END SUMMARY.

4. SECTION I: THE STRUCTURE

DURING TWO DAYS OF MEETINGS ON JULY 6 AND 7 THE US/EC CONSULTATIONS ATTEMPTED TO MOVE FROM THE SUCCESS OF THE COMPLETED ARTICLE XXIV:6 NEGOTIATIONS TO PROCEDURES THAT WOULD ENABLE EARLY CONSULTATION TO MANAGE THE INEVITABLE PROBLEMS THAT WILL ARISE.

5. THE CONSULTATIONS CONSISTED OF TWO PLENARY SESSIONS AND A SERIES OF DETAILED COMMITTEE MEETINGS. COMMITTEE I HANDLED ENERGY. COMMITTEE II ADDRESSED ITSELF TO TRADE, INVESTMENT, INDUSTRIAL PROBLEMS, AND THE TWO COMMITTEES JOINTLY DISCUSSED LDCS AND RAW MATERIAL QUESTIONS. (SEPTELS). THE DELEGATION, HEADED BY AMBASSADOR EBERLE, CONSISTED OF AMBASSADOR GREENWALD, ASSISTANT SECRETARY HARTMAN (STATE, AMBASSADOR MALMGREN (STR), DEPUTY ASSISTANT SECRETARIES LOWENSTEIN (STATE), MARKS (TREASURY), AND FOX (COMMERCE), ASSOCIATE ADMINISTRATOR GOODMAN OF FAS AND OTHER WASHINGTON OFFICIALS. THE EC COMMISSION TEAM, HEADED BY COMMISSION VICE PRESIDENT SOAMES, INCLUDED LIMITED OFFICIAL USE

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VICE PRESIDENT SIMONET, COMMISSIONERS LARDINOIS, GUNDELACH, DAHRENDORF, SCARASCIA-MUGNOZZA, AND CHEYSSON, DIRECTOR GENERAL WELLENSTEIN, DEPUTY DIRECTOR GENERAL HIJZEN, AND A NUMBER OF OTHER COMMISSION OFFICIALS. THE COMMISSION GAVE A LUNCH FOR THE DELEGATIONS, AND AMBASSADOR GREENWALD HELD A WORKING DINNER. THE CONSULTATIONS WERE CAPPED BY A JOINT SOAMES/EBERLE PRESS CONFERENCE AND WERE FOLLOWED BY DISCUSSIONS

BETWEEN AMBASSADOR EBERLE AND THE PERMANENT REPRESENTATIVES OF THE MEMBER STATES. THIS CABLE CONTAINS THE HIGHLIGHTS OF THE PLENARY MEETINGS AND THE DISCUSSIONS AMONG THE PRINCIPALS.

6. SECTION II: AGRICULTURE

THE PARTICIPANTS AGREED THAT US/EC COOPERATION HAD FARED WELL DURING THE PAST, DIFFICULT YEAR OF SCARCITY, COMMISSIONER LARDINOIS STATING THAT THE COMMISSION WAS PARTICULARLY APPRECIATIVE OF THE WAY SECRETARY BUTZ HAS HANDLED THE SITUATION ON THE US SIDE, DESPITE DOMESTIC PRESSURES. THOUGH US/EC TENSIONS ON POULTRY, SOYBEANS AND GRAINS HAD DIMINISHED, THE INTERNATIONAL MEAT SITUATION IS SERIOUS.

7. LARDINOIS STRESSED THAT POLITICALLY THE COMMUNITY CANNOT TOLERATE FURTHER REDUCTION IN MEAT PRICES. A PRINCIPAL GOAL OF THE COMMUNITY IS PRICE STABILITY FOR PRODUCERS AND CONSUMERS. THE COMMUNITY BELIEVES THAT A SYSTEM LEFT ENTIRELY TO THE FREE MARKET WILL RESULT IN A GLUT OF GRAINS AND A SHORTAGE OF MEAT. THE US SIDE EXPRESSED GREATER CONFIDENCE IN MARKET PRINCIPLES AND SAID THAT THE ADMINISTRATION DOES NOT INTEND TO INTERVENE BECAUSE OF LOW MEAT PRICES. LOWER BEEF PRICES WILL ENCOURAGE CONSUMPTION. COMMUNITY ACTION AGAINST IMPORTS AND ITS REQUIREMENT THAT IMPORTERS ALSO BUY FROM THE INTERVENTION STOCKS STRENGTHEN CONGRESSIONAL PRESSURE FOR US MEAT QUOTAS. THE US WISHES TO WORK WITH THE COMMUNITY ON WAYS TO MANAGE SUPPLY PEAKS AND VALLEYS, PARTICULARLY IN CEREALS. THIS INTERIM PERIOD PROVIDES A UNIQUE OPPORTUNITY FOR UNDERSTANDINGS AND FOR APPROACHING THE STOCKPILE PROBLEM. THIS OPPORTUNITY WILL LIMITED OFFICIAL USE

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DISAPPEAR IF SURPLUSES RETURN AGAIN. THIS IS ESSENTIAL IF WE DO NOT WISH THIS PROBLEM TO STAND IN THE WAY OF THE MTN.

8. BOTH SIDES CONCURRED THAT THE WORLD FOOD CONFERENCE (WFC) COULD ADDRESS THE PRINCIPLES OF FOOD POLICY TOWARD

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THE LDCE, INCLUDING A SHARING OF THE STOCKPILE BURDENS,
BUT THE EC FELT THAT DECISIONS ON DETAILS OF STOCKPILING
POLICIES ARE A SUBJECT FOR THE MTN, WHERE THE EC WILL
EXPECT CONCESSIONS, PARTICULARLY IN THE DAIRY FIELD.
BOTH SIDES AGREED TO BILATERAL CONSULTATIONS BEFORE THE
SUMMER ON THE WHOLE COMPLEX OF AGRICULTURE, FOOD AID,
MEAT, GRAINS AND RELATED ISSUES.

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9. SECTION III: LESS DEVELOPED COUNTRIES

COMMISSIONER CHEYSSON DESCRIBED TWO ASPECTS OF THE

COMMUNITY'S LDC POLICY: (A) ASSOCIATION ARRANGEMENTS AND (B) WORLD WIDE DEVELOPMENT POLICIES. DESPITE PROBLEMS IN THE CURRENT NEGOTIATIONS WITH THE MEDITERRANEAN COUNTRIES AND 44 AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES (ACPS), CHEYSSON EXPECTS THEM TO SUCCEED. THE EC SIDE GAVE FIRM ASSURANCES THAT THE EC WILL NOT EXTEND PREFERENTIAL AGREEMENTS BEYOND WHAT IS NOW PROPOSED, THOUGH IT NOTED THAT IT ANTICIPATES NEW NON-PREFERENTIAL COMMERCIAL AGREEMENTS WITH PAKISTAN, SRI LANKA, BANGLADESH AND POSSIBLY MEXICO. IN ADDITION, THE COMMUNITY HAS INCREASED ITS GSP SYSTEM ON A WORLD WIDE BASIS AND WOULD LIKE TO COORDINATE WITH THE US EVEN FURTHER GSP EXPANSION.

10. BOTH SIDES AGREED TO A GENERAL CONSULTATION ON DEVELOPMENT POLICY, INVOLVING PREFERENCES, FOOD AID, MSA'S, UNGA, G-20 AND COMMODITY PROBLEMS. EBERLE SAID WE NEED TO WORK WITH THE EC TO AVOID REPETITIONS OF THE STEAMROLLER TACTICS OF THE GROUP OF 77 IN THE SPECIAL SESSION OF THE UNGA. AS THE EC MOVES TOWARD A GREATER WORLDWIDE EMPHASIS IN ITS DEVELOPMENT POLICIES, WE SHOULD BE ABLE TO WORK WITH THE EC IN THE GATT, ALONG THE LINES OF FORMER UNDERSECRETARY CASEY'S PREVIOUS PROPOSALS TO DIFFUSE THE REVERSE PREFERENCE QUESTION. WE CONTINUE TO HAVE PROBLEMS WITH THE FREE TRADE AREA APPROACH TO LDC PREFERENCES. ONLY THROUGH AJOINT EFFORT CAN WE ASSURE THAT FOOD AID POLICIES WILL ENCOURAGE LDC SELF HELP. THE FERTILIZER SITUATION WOULD REQUIRE EFFORTS BY BOTH THE US AND THE EC TO INCREASE SUPPLIES NOT ONLY FOR THE LDCS BUT FOR THE ENTIRE WORLD.

11. BOTH SIDES WERE IN ACCORD THAT CONSULTATIONS WERE NECESSARY TO AVOID A PIECEMEAL APPROACH TO RAW MATERIAL PROBLEMS, WHICH COULD OTHERWISE LEAD TO RETALIATIONS. CHEYSSON SAID THAT, THOUGH THE UNGA HAD OPENED A NEW STYLE IN DC/LDC RELATIONS, A CARTEL APPROACH AMONG RAW MATERIAL PRODUCERS IS ONE OF THE WORST ANSWERS TO LDC PROBLEMS. THE EC SIDE AGREED THAT THE EC STOOD IN LIMITED OFFICIAL USE

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A MORE PRECARIOUS SITUATION THAN THE US IN REGARD TO IMPORTED RAW MATERILS, AND WOULD SUFFER THE GREATEST DAMAGE IF THESE PROBLEMS WERE NOT HANDLED WISELY. THOUGH THE EC AND US ARE NOT FAR APART ON RAW MATERIAL QUESTIONS, THIS IS A MOST DELICATE MATTER IF THE DEVELOPED COUNTRIES ARE TO AVOID GIVING THE IMPRESSION OF A NEO-COLONIALIST FRONT.

12. HARTMAN OUTLINED US TACTICS ON FINANCIAL AID HE SAID THAT THE US HAS RESISTED SPECIFIC COMMITMENTS

ON AID LEVELS IN INTERNATIONAL COMMUNIQUE PRIMARILY BECAUSE OF THE CONGRESSIONAL REACTION. HE POINTED OUT THAT THE US HAS PUSHED THE IDA THROUGH THE SENATE AND WILL PRESS IN THE HOUSE. OUR SECOND PRIORITY IS TO GET OUR BILATERAL AID LEGISLATION PASSED AND OUR THIRD PRIORITY IS TO DECIDE THE RIGHT LEVEL OF PL 480 COMMITMENTS.

13. SECTION IV: ENERGY

COMMISSIONER SIMONET SAID THE COMMISSION'S ROLE IN ENERGY WAS AWKWARD BECAUSE OF THE SPLIT AMONG THE NINE AND THE LIMITED COMMISSION ROLE IN INTERNATIONAL DISCUSSIONS. HOWEVER, IT HAS NOW MADE PROPOSALS TO THE COUNCIL AND IS PARTICIPATING IN THE ENERGY WORK AT THE OECD. BOTH SIDES AGREED THAT THE ECG HAS WORKED WELL, SIMONET STATING THAT IT HAS NOT INCREASED THE SPLIT AMONG THE NINE. ENTHUSIASM FOR BILATERAL OIL ARRANGEMENTS HAS DIMINISHED. AS WORK IS TRANSFERRED TO THE OECD FROM THE ECG THE COMMISSION'S TASK BECOMES EASIER.

14. HARTMAN RESPONDED THAT IT IS TOO EARLY TO DECIDE NOW ON FUTURE ENERGY CONSULTATION PROCEDURES. THERE WILL BE RECYCLING DISCUSSIONS IN THE G-20. JUNE AND JULY ECG MEETINGS WILL ASSESS THE RESULT OF STUDIES AND THINK FURTHER ABOUT MECHANISMS. IT IS IMPORTANT TO COMPLETE THE CURRENT WORK AMONG THE CONSUMERS BEFORE MAKING FINAL DECISIONS. WE MUST BOTH WORK TO HELP LOWER PRICES, EXPLAINING TO PRODUCERS THAT THEY WILL SUFFER IF THE WORLD TURNS FROM A LONG-TERM USE OF OIL BECAUSE OF HIGH PRICES AND THAT PRODUCERS' TOTAL RETURNS COULD BE GREATER IF THEY GET THE OIL OUT OF THE GROUND NOW AND INVEST THE PROCEEDS.

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15. HARTMAN EXPLAINED THAT IN OUR TALKS WITH THE SAUDIS WE ARE HOPING THAT GENERAL COOPERATION IN INDUSTRIALIZATION AND TECHNICAL ASSISTANCE WILL HELP AVOID AN ATMOSPHERE OF CONFRONTATION. WE HOPE THE COMMUNITY WILL ADOPT THE SAME APPROACH, FOR WE HAVE NO WISH TO BE ALONE IN THE MIDDLE EAST. HOWEVER, WE DOUBT THE VIRTUE OF BRINGING THE ARABS TOGETHER IN A GROUP, SINCE THIS WOULD LIKELY TEND TO POLARIZE ARAB POSITIONS TOWARD THE RADICAL MEMBERS. (SEPTTEL).

16. IN REPORTING COMMITTEE I ENERGY DISCUSSIONS (SEE SEPTTEL) WELLENSTEIN EMPHASIZED THE NEED FOR THE US AND THE COMMUNITY TO WORK OUT COMPATIBLE ENERGY STRATEGIES, I.E., A COMMUNITY RELIANCE ON COAL IMPORTS OR BUILDUP OF NUCLEAR ENERGY PRODUCTION WILL DEPEND HEAVILY ON US EXPORT POLICIES AND THE AVOIDANCE OF RESTRICTIONS SUCH AS THOSE ENCOURAGED BY THE COST OF LIVING COUNCIL. (SEE SEPTTELS.)

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17. REGARDING EC/ARAB DIALOGUE, WELLENSTEIN SAID THAT SEVERAL ITEMS IN THE EMERGING DIALOGUE ARE IN THE PROVINCE OF THE COMMUNITY, E.G., TRADE AND ECONOMIC COOPERATION AGREEMENTS. THE COMMUNITY WILL FOLLOW ITS NORMAL PROCEDURES ON THESE MATTERS AND THE COMMISSION WILL CONSULT ABOUT THEM WITH THE US. THE ENERGY CRISIS HAS INDEED ADDED ONE NEW ASPECT TO EC POLICY TOWARD PRODUCERS AND THAT IS A NEW EMPHASIS ON ECONOMIC

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COOPERATION. OTHERWISE, THE ENERGY CRISIS HAS NOT AFFECTED THE COMMUNITY'S PLANS FOR ITS MEDITERRANEAN POLICY. CHEYSSON HAD PREVIOUSLY ASURED THE US SIDE THAT THERE WAS NO PLAN TO EXTEND THE COMMUNITY'S PREFERENTIAL TRADE ARRANGEMENTS.

18. WELLENSTEIN REPORTED US CONCERNS ABOUT EUROPEAN APPROACHES TO THE ARABS IN A BODY. HE SAID THAT EC TRADE AND ECONOMIC COOPERATION AGREEMENTS WITH THE MEDITERRANEAN AND WITH OIL PRODUCERS HAVE BEEN MAINLY BILATERAL, AND THE EC EXPECTS THEM TO REMAIN THAT WAY, THOUGH THIS DEPENDS PARTLY ON THE PRODUCERS.

19. SECTION V: ENERGY RESEARCH AND DEVELOPMENT

COMMISSIONER DAHRENDORF GAVE A SHORT REPORT OF THE MAY 16-21 MEETINGS BETWEEN THE US AND THE EC ON ENERGY R AND D (SEE REFS EC BRUSSELS 3382, EC A-144 OF MAY 24, 1974). HE SAID THAT WE WILL NEED TO ORGANIZE SOON ACTIVE US/EC COOPERATION TO ASSURE MAXIMUM USE OF RESOURCES. HARTMAN REPLIED THAT THE US BELIEVED COOPERATION IS THE ONLY WAY TO AVOID WASTE, BUT IT IS A LITTLE EARLY TO AIM AT SPECIFIC MECHANISMS.

20. SECTION VI: ENVIRONMENT

COMMISSIONER SCARASCIA-MUGNOZZA GAVE AN ACCOUNT OF HIS RECENT DISCUSSION ON ENVIRONMENT WITH AMERICAN OFFICIALS IN WASHINGTON. THE COMMUNITY IS PLEASED THAT THE US AND THE EC HAVE IN PRINCIPLE ARRIVED AT AN ACCORD ON AN EXCHANGE OF INFORMATION ON WHICH THERE COULD BE AN ANNOUNCEMENT IN PERHAPS TWO WEEKS. EBERLE SAID THAT THE US WILL GIVE FULL SUPPORT TO THIS COOPERATION. BOTH SIDES AGREED THAT ANY TRADE PROBLEMS APPEARING IN THE ENVIRONMENT FIELD WOULD NEED TO BE GIVEN EARLY ATTENTION BY TRADE OFFICIALS IN ORDER TO AVOID PROBLEMS.

21. SECTION VII: TRADE AND INDUSTRIAL POLICY

SUCCESSFUL CONCLUSION OF THE ARTICLE XXIV:6
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NEGOTIATIONS SET A GOOD TONE FOR THE TRADE DISCUSSIONS,

MOST OF WHICH TOOK PLACE IN COMMITTEE I (SEPTEL).
HOWEVER, BOTH IN THE PLENARY AND AT AMBASSADOR GREENWALD'S
DINNER THERE WAS A LONG AND DIFFICULT DISCUSSION OF TWO
IMMEDIATE PROBLEMS. THE US SIDE INFORMED THE COMMISSION
THAT DESPITE SETTLEMENT OF ARTICLE XXIV:6, SERIOUS RISKS
REMAINED IN WINE AND DAIRY SECTORS. THE US HAD
THE IMPRESSION THAT THE COMMUNITY DID NOT REALIZE THE
DANGER TO ITS SIGNIFICANT WINE TRADE UNLESS IT TOOK
SERIOUSLY THE PROBLEM ON METRIC BOTTLE SIZES. IN ADDITION,
THE COMMISSION SHOULD UNDERSTAND THE SERIOUS RISK OF
COUNTERVAILING DUTIES AGAINST DAIRY RESTITUTIONS.
HIJZEN OUTLINED CONVERSATIONS WITH DEPUTY SECRETARY MARKS
(TREASURY) ABOUT INFORMATION NEEDED BY THE US CUSTOMS.
THE COMMISSION WOULD ATTEMPT TO FURNISH AS MUCH
INFORMATION AS IT COULD, BUT IT REQUESTED THAT THERE BE
FURTHER US/EC TALKS BEFORE DECISIONS ARE MADE.
SOAMES AID THAT THE COMMUNITY IS WILLING TO DISCUSS
THESE MATTERS, BUT IF IN THE AFTERMATH OF THE ARTICLE
XXIV:6 NEGOTIATIONS THE US SHOULD PUT RESTRICTIONS ON
EUROPEAN EXPORTS OF WINE AND DAIRY PRODUCTS THE EFFECT
WOULD BE MOST DAMAGING, EXTREMELY SERIOUS AND NOT THOUGHT
TO BE A COINCIDENCE. HE ASKED THAT HIS CONCERN BE
BROUGHT TO THE HIGHEST POLITICAL LEVELS IN WASHINGTON
SO THEY WOULD UNDERSTAND THE DANGER INVOLVED.

22. HIJZEN MADE A LENGTHY REPORT TO THE PLENARY ON
THE RESULTS OF THE COMMITTEE I DISCUSSIONS ON
TRADE, INDUSTRIAL POLICY, INVESTMENT AND RAW MATERIALS.
(SEE SEPTEL.)

23. THE GROUP HAD AGREED THAT PRIOR TO THE NEXT
US/EC CONSULTATIONS, THERE SHOULD BE A CONCRETE DISCUSSION
OF SPECIFIC ASPECTS OF INDUSTRIAL POLICY, INCLUDING
AIRCRAFT, COMPUTERS, STANDARDS AND PROCUREMENT. BOTH
SIDES WOULD DRAW UP A LIST OF TOPICS IN ORDER TO AVOID
VAGUE AND OVERLY-GENERALIZED STATEMENTS OF PRINCIPLE.
HIJZEN ALSO PROPOSED A US/EC MEETING PRIOR TO THE NEXT
CONVOCATION OF THE TRADE NEGOTIATING COMMITTEE IN
GENEVA.

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24. HIJZEN SAID THAT THE US AND THE COMMUNITY
SHOULD HAVE A LOOK AT THE POSSIBILITY OF RENEGOTIATING
THE CHICKEN WAR BUT THAT A PUBLIC ANNOUNCEMENT PRIOR
TO AN OBJECTIVE ASSESSMENT OF THE POSSIBILITIES COULD
BE HARMFUL.

25. SECTION VIII: APPRECIATION OF SECRETARY KISSINGER'S
EFFORTS.

SOAMES CLOSED THE CONSULTATIONS WITH A STRONG STATEMENT OF APPRECIATION FOR SECRETARY KISSINGER'S TIRELESS AND SUCCESSFUL EFFORTS IN THE MIDDLE EAST, WHICH HAD BROUGHT RESULTS BEYOND EXPECTATIONS. SOAMES ALSO WELCOMED THE SECRETARY'S RECENT REMARKS TO NATO PARLIAMENTARIANS ON EUROPEAN UNITY AND ATLANTIC RELATIONS.

SECTION IX: MEETING WITH PERM REPS.

A SEPARATE MEETING OF EBERLE AND HARTMAN WITH THE MEMBER STATE PERM REPS, OUTSIDE THE GENERAL US/COMMISSION CONSULTATIONS, WAS DEVOTED PRIMARILY TO A POST MORTEM DISCUSSION OF THE ARTICLE XXIV:6 NEGOTIATIONS AND THE PROSPECTS FOR THE MTN. THERE WAS MUTUAL VIEW THAT THERE NEEDS TO BE MAXIMUM CONSULTATION AT EACH STAGE OF A NEGOTIATION SUCH AS ARTICLE XXIV:6 AND THAT PROLONGED DEBATE OVER PRINCIPLE SHOULD BE AVOIDED. AMBASSADOR EBERLE EXPLAINED THAT THE TIMETABLE FOR THE MTN WILL DEPEND ON THE STATUS OF THE TRADE BILL AT THE TIME OF THE GATT TNC MEETING IN LATE JULY. IF THE TRADE BILL IS NEAR COMPLETION, ACTUAL NEGOTIATIONS COULD BEGIN IN GENEVA IN SEPTEMBER; IF THE TRADE BILL IS NOT NEAR COMPLETION BY THAT TIME, ACTUAL NEGOTIATIONS MIGHT BE DELAYED ANOTHER TWO TO THREE MONTHS. IN RESPONSE TO INQUIRIES BY PERM REPS, ASSISTANT SECRETARY HARTMAN DESCRIBED US VIEWS TOWARD EC/ARAB COOPERATION AND CURRENT US-SAUDI DISCUSSIONS ALONG LINES PRESENTED TO THE COMMISSION DURING THE CONSULTATIONS. GREENWALD

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